

Operational Policy Letter #3

Department Of Health & Human Services

Health Care Financing Administration

Medicare Managed Care

April 24, 1995

1994 AMENDMENTS - TECHNICAL ISSUES

Issues:

A health plan has informed HCFA of their need to enroll Medicare beneficiaries who move outside the approved 1876 cost contract service area. The plan argues: 1) their desire to offer a "full service" Medicare product to employer groups for their retirees; and 2) their desire to accommodate Medicare cost members who want to continue their health plan membership despite having a residence outside the approved cost contract service area.

Operational Policy Question:

What is HCFA's policy on these issues in light of the changes in the 1994 Social Security Act Amendments?

Answer:

Issue 1: Union- and employer-related Health Care Prepayment Plans (HCPPs) will continue to be exempt from Medigap requirements under Section 1882(g) of the Social Security Act. Because there are no service area restrictions for HCPPs, the health plan will be able to offer a "full service" product to union- and employer-group retirees.

Issue 2: As to the health plan's desire to accommodate non-group Medicare cost members residing outside the service area, the issue is whether HCFA would be willing to waive service area requirements for 1876 cost contracts.

Current policy and regulation support service area integrity for 1876 risk and cost contracts. All required (and other) services which Medicare members contract for must be available and accessible, with reasonable promptness, to Medicare beneficiaries with respect to geographic location, hours of operation, and provision of after-hours service. Medically necessary emergency services must be available twenty-four hours a day, seven days a week. (See 42CFR417.106(b) and 42CFR417.416(e).) We believe current

policy limiting 1876 risk and cost enrollment to a defined service area continues to be the best way to ensure both access and availability of these services for Medicare beneficiaries.

Though we will not waive 1876 risk or cost contract service area requirements, contractors retain other alternatives:

1) As noted above, some plans are able to meet the needs of their group plans through the 1882(g) exemption;

2) individual (non-group) HCPP enrollees may continue membership in their current plans, provided they enroll prior to January 1, 1996; and

3) individual Medicare members enrolling on or after January 1, 1996 could enroll in a 1876 cost contract which has a service area overlapping the contractor's HCPP product.

Note that, while we would allow overlapping HCPP and 1876 cost contract service areas, we will not allow overlapping HCPP and 1876 risk service areas. We believe overlapping HCPP and risk service areas promotes favorable selection in Medicare risk plans.

Please also note that HCFA urges contractors to consider 1876 risk or cost contracts rather than 1833 HCPP agreements. This preference applies both to the "grandfathered" enrollees and the Medigap-exempted union and employer plans. HCFA prefers 1876 contracts because they provide beneficiaries, providers and the Medicare program protections that are unavailable under 1833.

Additionally, though 1876 risk and cost contracts are both available from HCFA, only those organizations unable to assume the financial risk inherent in 1876 risk contracts should consider participating under a 1876 cost contracting arrangement.

Contact:

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